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REPLACING THE INTERNATIONAL MONETARY SYSTEM?

Samir Amin

HAITI: GOD AND THE BIG BATTALIONS

W. H. Locke Anderson

DIVIDENDS ARE NOT ROYALTIES: THE SAT & SURPLUS VALUE

Michael Parenti

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NOTES FROM THE EDITORS

Making sense of the daily news becomes increasingly difficult in this late summer of 1993. On the one hand capitalism, considered as an economic system, a mode of production of the things society needs to keep going and reproduce itself, is faltering everywhere; on the other hand capital in its most generalized and abstract form of high finance is flourishing as never before. Here in the United States, the stock market has been posting new all-time highs almost on a daily basis; just the other day the *New York Times* ran a major story reporting that Europe's stock markets too have been rising throughout the summer months. While some 25 million would-be workers are unemployed in the industrialized (OECD) countries, the jet-sets there, and in the Third World and former Communist countries as well, are flying higher than ever.

(Continued on inside back cover)

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REPLACING THE INTERNATIONAL MONETARY SYSTEM?

by SAMIR AMIN

I

The present international monetary and financial system, put together at the end of the Second World War and managed by the International Monetary Fund, is no longer functional. It should not surprise us that the long postwar period that began in 1945 eventually came to an end in 1990, or that the world system which will evidently succeed it will be qualitatively different from what we have known for nearly half a century.

I have elsewhere defined the postwar cycle as a long path of ascent built on a foundation consisting of three pillars, partly in conflict but partly complementary: (1) in the West, social-democracy and Fordist accumulation regulated by Keynesian national policies—open to the world market, to be sure, but consistent nonetheless with a coherence between accumulation and the historic capital-labor compromise; (2) modernization and industrialization in the newly-independent peripheries, managed by what I have designated as "the project of Bandung," a national bourgeois project of "catching up" in a context of circumscribed independence; (3) the Soviet project, catching up with the West by means of

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an accumulation strategy much like that of historical capitalism, free nonetheless of the constraints of the capitalist world system and managed on the level of the national or multinational state by means of state ownership and centralization of political and economic power in the hands of a new bourgeoisie-in-formation, the *nomenklatura* of the communist parties.

This tripolar system constituted the basis of a (generally) strong economic expansion in each of the three regions. In this context, these projects and even their success were from the beginning ideological illusions which operated with the force of fixed beliefs. In the West, one believed that steady growth was already an established fact. In the Third World one believed that nation-building would ultimately resolve the problems of underdevelopment. In the countries of the East one believed in socialism.

The forceful return of the business crisis that marks the end of this phase of expansion is the joint product of the three models that made up the system during the postwar years. It has plunged all of the regions of the planet into a profound and lasting structural crisis, and no indicators seem to detect light at the end of the tunnel, either for the West, the East, or the South.

The world monetary system has always corresponded strictly to the organizing structures of the world order: to each phase of the history of capitalism there has been a particular monetary counterpart. That of the postwar period corresponded perfectly to the hegemony of the United States. It was one of the instruments that enforced U.S. hegemony over its allies and the countries of the Third World, while the countries that were called socialist excluded themselves by delinking from the financial and monetary order of world capitalism.

In the debates at Bretton Woods in 1945 two positions were advanced. Keynes, in proposing the creation of a world central bank capable of issuing international money, defended the position of the declining imperial nations,

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Great Britain in particular. The value of the international currency, tied to a market basket of "key currencies," presupposed a stable compromise between the new hegemony of the United States and its subaltern allies. The Soviet Union and its allies were excluded from that compromise. The United States had imposed this solution, making the dollar the only world currency, equivalent to gold by virtue of a fixed dollar-gold exchange rate. The system of fixed exchange rates permitted devaluation of currencies relative to the U.S. dollar in proportion to their nations' decline relative to the irresistible hegemony of the United States.

As soon as U.S. hegemony began to decline, beginning with the suspension of the convertibility of the dollar in 1971, the whole system was called into question. Nonetheless, the ongoing decline of the United States did not by itself initiate a reform of the monetary system, just as the decline of Great Britain beginning in the 1880s did not dethrone sterling until 1931. If one were now to try to maintain the dollar standard, the monetary system would move fatally toward a disorderly breakup like that of the period of 1930-1945.

II

The system of flexible exchange rates adopted in 1971 is not a real solution. It merely acknowledges the existence of disorder. Moreover, this system has accentuated exchange-rate fluctuations that have no basis in changes at the level of production: the weak dollar in the seventies, dropping at least to the level of four French francs; the strong Reagan dollar during the eighties, climbing to the level of ten francs and then dropping again.

I grant that hegemony always presents multiple faces and operates at diverse and complementary levels. Hegemony is not reducible to "economic efficiency," to "competitiveness" on the world market, even if that is its ultimate basis, and monetary dominance is not the only instrument by which it is asserted. The military role of the United States, policeman of the world system, is equally important. From now on this role

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will be strengthened by the collapse of the Soviet Union, which formerly imposed limits on the intervention of the United States in the Third World.

Today one often hears the claim that military hegemony is not long-lasting, because it costs too much and American society is not disposed to assume the cost, as the election of Clinton has demonstrated. I have some reservations about this thesis for at least two reasons. The first is that a serious reduction in U.S. military expenditures would plunge the country into an economic crisis at least as serious as that of the 1930s. Along with Sweezy and Magdoff, I am one who considers that capitalism is a social formation with a permanent tendency to overproduce, in which the "crisis" is the normal state of affairs and prosperity has to be explained by recourse to special factors. Thus, the United States could only recover from the crisis of the 1930s through over-arming itself during the Second World War and the years that followed. Today the U.S. economy is monstrously deformed: almost a third of economic activity depends directly or indirectly on the military complex, a proportion reached in the Soviet Union only during the epoch of Brezhnev. The second is that military hegemony pays, precisely through the privilege that the dollar as a world currency confers. Therefore, for Washington to accept a reduction in its role on the world's stage, to see a "sharing" of responsibilities with Europe and Japan, would precipitate a reform of the international monetary system, the loss of privilege for the dollar, and therefore—far from permitting "economies"—would dry up the favorable flow of capital.

The complex situation of our crisis is therefore to be long lasting. That is why the pronouncements of the powers have come to center on the development of the crisis and not on getting out of it. For example, it is not a question of reducing unemployment in the West but of "living with it." One speaks of "an economy with two speeds," and so forth. According to this logic the most powerful partners seek to transfer the maximum possible burden of the crisis to the weakest

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partners—the peripheries of the South and now the East—in order to play down its consequences at home and to avoid its becoming dramatic, even if such a tactic does not help to find a solution to the crisis. From this perspective the management of the crisis preserves the existing international monetary system for a while longer, at least, although its days are numbered. But such preservation of a bygone system in the face of winds and storms runs the risk of its collapse, as in 1930, when the sterling standard gave way to uncoordinated rivalries that were harbingers of war.

III

That being the case, it is useful to examine the alternative proposals offered by the specialists, which are sometimes the objects of diplomatic consideration.

These proposals are all prefaced with the observation, correct and important, that globalization has deepened in the postwar years, to the point of having passed over into a qualitatively new stage. The national production systems, historical constructs of the national bourgeois states that have become the centers of world capitalism, have been progressively dismantled in favor of a global production system. The industrialization of the peripheries has integrated them into this qualitatively new system.

The logical conclusion that one can draw from this observation is that world capitalism needs a world organization on all levels, on the monetary level certainly, but also on the political level. It needs a "world central bank" (and therefore a new world money issued by the bank), or if not it needs a world state, or at least some sort of really effective world political organization.

I would say of this logic that it takes seriously the liberal argument: the world market ought to evolve towards integration at all levels, that is to say, to abolish all boundaries to the movement of merchandise and services, of capital and of labor power, to open itself to the migration of people on a plane

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with the movements of products and capital. This is the sense of the building of a "world state."

But right away we see that the project, and therefore the propositions that are embodied in its logic, particularly the management of a world money, are absolutely utopian. Our real world is and will for a long time remain founded on a grand contradiction between the globalization of the economy, based on a truncated market system which includes trading in commodities and capital but excludes migration of labor power, and the persistence of the national state as the structure for the regulation of politics and social life. This contradiction, which produced and reproduces the polarization of the world, will be fatal for capitalism.

We may now return to the proposals that have been offered concerning the world monetary system. They are three in number.

The first is a return to gold, "which alone can stand against the currents of the whirlpool." I exclude this possibility, but not because capitalism has finally liberated itself from this old fetish. On the contrary, capitalism is and will remain fundamentally fetishistic. I exclude it because the regulation of the monetary system by means of merchandise money whose production is largely independent of other economic considerations corresponded to the mode of regulation of "competitive," pre-monopolistic capitalism. The regulation of credit is the only alternative to this now-dead mode of regulation.

The second is therefore the creation of a world central bank, without which there could not concurrently be put in place a world political institution with analogous power. This was the favorite theme of the late Robert Triffen for a long time. It is also in a certain sense the European choice: the creation of a common money (issued by a common central bank) preceding that of a common political power. One recalls the proposals of Keynes in 1945: the stabilization of a compromise among the partners—the United States, the Europe of the EEC, and Japan. But is this stabilization pos-

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sible? Is the question not a bit naive, perhaps? What can be done so that this regulation in common would be enforceable if there are no sanctions on the nations that are parties to the system? The economists, by dint of their refusal to see that economic choices are practicable only if the political and social compromises that they imply are acceptable, are encouraging a utopian economism. As we shall eventually see, a bank that is European but not worldwide is not only likely to be possible but is essential if Europe is to evolve toward a genuine political confederation. I shall also say why it can only be based on the principles of an historical social compromise, analogous on this level to the historic social compromises which have established the national states of the continent.

In any case, this option, restraint on the partners of the developed world, implies tacitly the collective recompradorization or "sharing" of the third-world nations of the South and East. Besides the fact that the partners of the developed world agree on this matter—for example, Germany can pursue again its objective since the days of Bismarck to "Latin Americanize" Eastern Europe—it is quite evident that this recompradorization implies vigorous and permanent interventions to stifle the revolts it will certainly provoke.

We come now to the third proposition, which is the extension of the monetary compromise to include the Third Worlds of the South and East. This was the proposal of the New Economic International Order put forward by the Group of Seven in 1975. This is the question of creating an international currency, at the outset in parallel with those already in use (the dollar, gold, and the other key instruments), managed by the international community. Creating a "link" between the issue of this money and economic development was explicitly the objective. As we know, the proposal was aborted in favor of a minor international money issued by the IMF under the name of the Special Drawing Right (SDR). The reason for the defeat is to me evident: the proposition assumed that the fundamental problem was solved, that is, that the centers would accept an accelerated

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and relatively autonomous development of the peripheries. The monetary instrument was put in the service of this objective, which was utopian since it was in contradiction with capitalism as it really exists.

IV

The principles on which I base the propositions that follow are consonant with an alternative vision of world political organization, that of a polycentric regionalization. This option proceeds from the contention that the real problems with which nations and regions are confronted are not identical and cannot be in view of their unequal development. It sets for itself the primary objective of reducing this inequality in which the polarization produced by the world expansion of capitalism manifests itself. It recognizes a place for globalization, on condition that it conceives itself in a manner appropriate to serving the primary objective. It recognizes at the same time that the realization of a superior world development requires the realization of regional solidarities and autonomies, articulated in the world system by mechanisms and institutions that owe their existence to the heritage of unequal development. Finally, it associates at each stage the rules that govern the regulation of the economy and money with parallel propositions on the institutions of politics.

It is a matter therefore of a voluntarist project. More exactly, if one regards it as a "utopia," it is not that it is utopian in the same sense in which regulation of the world by the market is utopian. The latter is a true utopia. If one tries to pursue its project one can only create a catastrophe. By contrast, the project that we propose, if it is embarked upon, will gradually ameliorate the conditions at which it is directed. Therefore, if one were to call it utopian, it is simply in the sense that the dominant political forces that are active today do not work in its direction. The implementation of this project in effect implies marked transformations in the nature of the powers and interests that are to be served, and in the futures that are to be envisioned.

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The regions in question here almost define themselves. If the United States (eventually enlarged by incorporating Canada, but not Mexico), China and India (by virtue of their demographic weight), and Japan (by virtue of its history) constitute by themselves "regions," all the other countries of the world ought to envision their consolidation into an ensemble of great regions: Europe (East and West), the former Soviet Union, the Arab world, the African world, Southeast Asia, Latin America.

The problems with which these regions and countries are confronted are too varied for one to suppose that they should all develop along the same lines. For example, there is no sense in which the rate of interest should be the same everywhere or that capital should freely flow to wherever the pecuniary return is the highest. Monetary and financial institutions must be developed along regional lines as substitutes for the IMF and the world market for monetary capital.

The Europe of the EEC is going in this direction, although it is in some sense the "sick man" among regions, having developed a purely economistic concept of its project ("an integrated market," no more), and finds itself confronted with a great problem, which is to endow itself with corresponding political power. But while the social sorting-out of this project remains to be done, the common market, which is only a hollow shell, will engender insurmountable social (and therefore political) conflicts. The further consolidation of the European economies will require regulation by a state, perhaps confederal, capable of imposing a labor/capital compromise on the scale of the integrated market. The traditional right will never, by its, nature understand this necessity, preoccupied as it is with exploiting the "differences" in the short term. Just as not long ago it was the workers' movement which imposed a social compromise on the scale of the European national states, today on the scale of Europe it is only a courageous and farsighted left that could lead the way. Eventually there would have to be brought into

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being a system issuing an intra-European money to substitute for the national monies, to the extent that there is progress towards a common political construct that can give legitimacy to common financial and monetary institutions.

Can Eastern Europe be integrated into the European system? Perhaps, but only on the condition that the West Europeans do not see those of the East as their "Latin Americans." Overcoming the unequal development of Europe will require the articulation of pan-European institutions that tolerate the different rules of the game in the different halves of the continent. A long transition is therefore necessary before the economic and political integration of Europe can reach its ultimate phase.

Russia and the other states of the former Soviet Union are in a situation of the same nature even if, by virtue of its size, Russia remains potentially a great power. The reconstruction of cooperation and integration among these countries is a necessary stage if one wishes to avoid the explosive danger of facing their unequal development.

The European construct, even reduced to the partners of the EEC, runs the risk of again becoming bogged down in questioning its reason for being. The absence of agreement among the West Europeans on peripheralizing Eastern Europe and the former Soviet Union, which is being encouraged by the concurrence of the countries of the East—the Czechs separate from the Slovaks because they think this puts them nearer to integration with the EEC, the Croats decide to precipitate the collapse of Yugoslavia, the Baltic countries and the Croats separate themselves from the Russians for similar reasons, etc.—reveals the conflicts at the heart of the EEC itself. It is almost evident then that this option will lead Germany to charge ahead on its own, forcing its partners to follow up to the point when the situation becomes unacceptable and the European project disintegrates. In this scenario the "European central bank"—which will then be a de facto annex of the Bundesbank—runs the risk of becoming merely

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a temporary instrument in the service of a German, rather than a European, project

The problems of the regions of the Third World are different to the degree that their "underdevelopment" is more marked. For this reason: (1) these countries and regions are less thoroughly integrated into the global production system that is under construction. Except for Korea, Taiwan, and Singapore, which are the only important exceptions (Hong Kong being partially integrated with China), in all the semi-industrialized countries of the Third World only limited segments of the productive system are integrated into the new global economy; (2) they are even less integrated among themselves, practically not at all, especially when it comes to the "Fourth World;" (3) they are unevenly developed, and the postwar development has accentuated this inequality, which even today separates the semi-industrialized countries from those of the Fourth World; finally, (4) for all these reasons they are attracted by regional North-South associations which operate to the detriment of their collective autonomy.

Under these conditions the creation of regional monetary institutions is not a priority. Before this will be the order of the day it will be necessary to pass through some preliminary stages that emphasize the construction of negotiated and well-conceived productive complementarities. At this stage the common regional monetary institutions that are the most appropriate are such endeavors as accords on multilateral clearing, payments unions, etc., which permit partial escape from constraints such as the need to hold national reserves of key currencies. But it goes without saying that here as elsewhere progress on regional economic integration requires the rapprochement of national policies. The putting into place of the embryos of "confederal" organizations should not be postponed—quite to the contrary. In parallel with the democratization of national systems, one can imagine that leagues of Arab peoples, of African peoples, of Latin-American peoples, and of Southeast Asian peoples will gradually be substituted for the present-day state organizations.

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The collective international negotiations that these ensembles of regional, economic, monetary, and political institutions require goes without saying. At the monetary level a reconstituted IMF will find a new function in regulating the relations among the dollar, the yen, the European currencies, the rouble, and the payment arrangements among the regions of the Third World. But this reform will not assume its real significance until, in its turn, the United Nations is transformed to become a real player in international affairs instead of the enforcer of the policies of the United States and its partners in the North. In this spirit the World Bank, which up to now has been the bank of the North in its policies toward the South, will be equally reformed and become the embryo of a world capital market that assists regionally coordinated development policies collectively negotiated.

A utopian project? It is the only way, in my opinion, that can help us find a way out of the tragic impasse of the present crisis and start us on the long trail toward world socialism, the only human response that is possible.

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HAITI: GOD AND THE BIG BATTALIONS

by W.H. LOCKE ANDERSON

Around the time of Clinton's inauguration, the *New York Times* published an op-ed article by Anna Husarska, a staff writer for the *New Yorker*. This piece seemed to represent an attempt on the part of the *Times* to achieve some sort of "editorial balance." The preceding article by Haiti's exiled President Jean-Bertrand Aristide had stated the case for speedy restoration of lawful government in his country. Ms. Husarska, who appears to be against lawful government if that means Aristide, advanced the strange proposal that Clinton should make a "pact" with the freely-elected head of the Haitian state, "permitting" him to return to his country, but only long enough to pardon the officers who drove him into exile in 1991. After the amnesty, according to her script, Aristide would resign the presidency as soon as a replacement could be elected in the manner specified by the constitution. Her claim was that this was the only way to restore lawfulness to the country and to get rid of the ruling junta without a "bloodbath." She was probably right, if not about the lawfulness, then at least about the bloodbath. Since Haiti is among the poorest and cruelest of nations, blood flows more predictably than water.

Early in April of 1993, Aristide publicly offered to pardon the junta if only it would step down. At first the military

W.H. Locke Anderson is Associate Editor of *Monthly Review*. In addition to drawing from the sources cited in the text, the author would like to state that he benefitted enormously from the political analysis he found in *Haiti: State Against Nation*, by Michel-Rolph Trouillot. (New York: Monthly Review Press, 1990).

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scorned his proposal. But under continuing diplomatic pressure from the United States and a painful oil embargo, the officers showed signs that they were willing to accept a compromise if Aristide would grant them amnesty. On April 30, the *Times* announced that Aristide seemed ready to issue a pardon if the surviving victims of the junta's terror could bring damage suits in the civil courts, purged of their Duvalierist judges. In the ensuing months proposals and counterproposals were brokered by the United Nations and the Organization of American States, and were mediated by Dante Caputo, former foreign minister of Argentina. Early in July an agreement was reached for Aristide's return to office in October. It calls for the election of a new prime minister, the restoration of parliamentary government, and the resignation of General Cedras, the armed-forces commander and apparent leader of the coup.

Although flexibility is not the first word that comes to mind when one thinks of Aristide's political tactics, it has been said that he learned to appreciate its value in such negotiations by studying the example set by Nelson Mandela who agreed to settle for something far short of justice in the hope of achieving peace and national reconciliation in South Africa. Throughout the current period the U.S. government has quite visibly been encouraging the negotiators on both sides to reach an agreement, hoping on its own account to stop the stream of refugees from Haiti and to restore a "favorable climate" for American capital.

Aristide in His Own Words

The *Times* has done a fairly conscientious job of keeping its readers abreast of the struggle in Haiti, but one thing it has not done is to give them an appreciation of the ideas and agenda of the remarkable Father Aristide—liberation theologian, Salesian priest, politician, rebel, and prophet—who as a thinker is accorded a rather superficial treatment in the pages of the *Times*. Happily, the Catholic Foreign Missionary Society of America and its Orbis Press have undertaken

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the timely publication of Aristide's two books, *In the Parish of the Poor* (1990) and *Aristide* (1993).

The former was edited and translated by Amy Wilentz, a journalist and author of *The Rainy Season: Haiti Since Duvalier* (New York: Simon & Schuster, 1990), itself a remarkably informative and often gripping introduction to the political crisis in Haiti, covering developments up until the end of 1988. *In the Parish* contains a foreword by Wilentz which situates Aristide's interventions in the class struggle of Haiti, a long "Letter to My Brothers and Sisters," and a short collection of sermons and messages. It also has a number of good pictures by various photographers.

Listen to the words of the rebel, dreamer, and prophet as he proclaims the Gospel's good news to the poor, the promise of a new Jerusalem, a modest Jerusalem, a people's Jerusalem, perhaps some day even an "actually existing" Jerusalem in Haiti:

> Open your eyes with me, sisters and brothers. It is morning. The night has been a long one, very long. Now, the dawn seems to be climbing up slowly from beneath the horizon. Wisps of smoke are rising up from the little houses of the village, and you can smell the good cornmeal cooking. The sky grows pink. An hour later, the children in their tidy, well-fitting uniforms run off to school, clutching new books in their arms. Women wearing shoes head off to market, some on horseback and donkey, others on motorcycle and bicycle. They all take the new paved road, down which buses take other women and men to market for the day. If you listen closely, you can hear the sound of running water, of faucets being turned on in houses. Then men emerge, carrying shiny new tools, laughing together, their bodies strong and well fed. They head off for the fields. A new irrigation project has been installed and the crops are growing where there was almost a desert. Throughout the village, you can hear laughter and the sound of jokes being told and listened to.
>
> This is the village I call Esperancia. The day is coming when this village will exist, though now it is called Despair. This is what has changed: Everyone now eats a decent poor man's breakfast. There is a new road. The children now have books. The women have

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shoes. There is water, and running water. There is an irrigation project.

This is not very much to change. Yet just those few changes can turn despair into hope, and all it takes to change them is organization. In a year, the village of Esperancia could exist in any of our lands. Esperancia, El Salvador; Esperancia, Honduras; Esperancia, Guatemala. It is an honorable address in the parishes of the poor.

Let us leave our old homes of cardboard and mud floors. Let us make a plan to douse them with gasoline, and burn them to the ground. . . . Take my hand. If you see me stumble, hold me up. If I feel you weaken, I will support you . . . the road is long. I fear there are criminals on either side of us, waiting to attack. . . . I can hear them loading their guns. . . . Let them come. They do not know it, but though they kill us, though they shoot and cut down every last one of us, there is another battalion about a mile back, coming and coming down this long path toward sunrise. And behind that battalion another and another and another. God is for the big battalions, and the big battalions are the people. (*In the Parish of the Poor* by Jean-Bertrand Aristide. Maryknoll, NY: Orbis Books, 1990, pp. 69-70.)

Aristide's autobiography makes his radical egalitarianism even more evident than does *In the Parish of the Poor*, and it spells out more completely his liberationist reading of Christian scripture. The following passage, which he wrote in reaction to his expulsion from his position in the Haitian church, is fairly representative of the sort of arguments that he makes in *Aristide.*

I knew in what part of the church the oppressed were gathered together, and in light of that knowledge my doubts disappeared and were replaced by a new determination. I had signed up for the battle of the millenium, the rebellion against fatalism, the refusal to abdicate or give up. Yes, to be a Christian is to be a rebel. . . . It cannot be anything other than a battle against resignation; otherwise religion itself must be resisted. When religion does not defend human beings, it must be resisted.

. . . I did not invent class struggle, no more than Karl Marx did. I would even prefer never to have seen it. Perhaps that is possible if one never leaves the squares of the Vatican or the heights of

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Pétionville [Port-au-Prince's wealthy suburb]. But who can avoid encountering class struggle in the heart of Port-au-Prince? It is not a subject of controversy, but a fact, a given. . . . When some doctor of faith and (or) of business condemns me by shouting "but you are in favor of class struggle—therefore a bad priest and a bad citizen"—I answer that I am neither for it nor against it. Nobody is going to organize a referendum to discover whether the law of gravity is good or bad. It all reminds me of the proceedings brought against Galileo to force him to deny the fact that the earth moves. And still, it does move. (*Aristide* by Jean-Bertrand Aristide. Maryknoll, New York: Orbis Books, 1993, pp. 105-106)

These are the arguments of the student of theology and psychology, once the rising star of the Haitian clergy. His organizing among the urban poor and his sermons—whose message to the masses is "sleepers awake"—have earned him the enmity of the Haitian ruling classes, the higher echelons of the Salesian order who have expelled him from their company, the upper ranks of the Haitian army, the police, and the thugs of the *tontons macoute.* These and other evidences of his radical beliefs have also apparently unsettled those elements of the U.S. ruling class whose views are reflected in Ms. Husarska's article in the *Times.*

Nonetheless, Aristide has surprising popular support in the United States, not all of which comes from the Haitian diaspora and the comparative handful of people who are sympathetic to his political and social views. Part of the fascination North Americans have for him derives, I think, from his ability to make them feel ashamed: the powers of the weak come largely from their capacity to shame the strong. His blackness, his slight frame and small stature, his personal bravery and public defiance, and his challenge to the conscience of the powerful recall Haile Selassie at the League of Nations in 1935, appealing (in vain) to the European democracies to stop the Italian invasion of Abyssinia.

It now seems probable that Aristide will again be President of Haiti in fact as well as name, although the Haitian political waters are still full of sharks. Another military coup

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like the one that drove him from office in 1989 cannot be dismissed, and his enemies will probably kill him this time. If such an event transpires, it will trigger a vast popular uprising and in all likelihood a major U.S. military intervention under the flag of the United Nations. This would not be the first U.S. occupation of Haiti, and it will be bitterly resisted—better the ghost of Duvalier than the Americans!

Haitians have a short life expectancy but a long collective memory. They have no trouble remembering the racist cruelty of the U.S. military occupation from 1914 to 1934, undertaken to collect debts owed to the National City Bank of New York, among others. During this period, Secretary of State Robert Lansing had this to say about his victims:

> The experience of Liberia and Haiti shows that the African races are devoid of any capacity for political organization and lack genius for government. Unquestionably there is in them an inherent tendency to revert to savagery and to cast aside the shackles of civilization which are irksome to their physical nature. (quoted in *Haiti: Family Business.* London: Latin American Bureau, 1985, 79.)

During the U.S. occupation an army officer named Charlemagne Péralte led the guerrilla resistance. He was eventually captured by the U.S. Marines, shot, propped up against a door with a crucifix and a Haitian flag, and photographed as an object lesson to others. The photo was later used as the basis for a famous patriotic painting by the Haitian painter Philomé Obin, "The Crucifixion of Charlemagne Péralte in the Name of Liberty."

The Haitian Economy

Even if the transition to civilian rule under Aristide were to go smoothly, there would be certain to be major troubles ahead for Haiti. The reasons fall into two broad and related groups: a crisis in the economic base and contradictions in the superstructure. We begin with the economy.

The annals of the poor are never simple, neither are they short. Haiti is the poorest country in the Western hemisphere

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and one of the poorest in the world. Very little in the economic situation as it exists today offers any hope for quick improvement in the life of the people, no matter who governs. Such wealth as Haiti has produced has always come from agriculture, but Haitian agriculture is now in ruins. The countryside is an ecological disaster area, much of it denuded of mature trees and stripped of the fertile upper layer of soil by erosion. As the old trees disappear, the peasants convert even saplings into cooking charcoal, both for their own use and for a cash crop. In many places there are not enough roots remaining to hold the soil against the torrents of the rainy season. Such soil as remains has been farmed for many decades by people too poor to preserve its fertility through rotating crops, fallowing, and manuring. And the consequences of their forced neglect of the land only make them poorer.

About 70 percent of the agricultural land is hilly, and the average agricultural plot is only a little more than an acre. The plots worked by the poorest peasants are even smaller, of course. There are also some commercial farms that produce for export. Because of the poor soil and the smallness of most of the plots, productivity on the land is very low. As a consequence, the rural population, which is about two thirds of the total, produces only about a third of gross domestic product. The main crop is coffee, much of which is exported.

The subdivision of the land into small plots took place early in the nineteenth century. After the death in 1806 of Dessalines—the second of the two great leaders of the Haitian Revolution, the first being Toussaint L'Ouverture—his two principal generals Pétion and Christophe established kingdoms in the South and North respectively. Pétion immediately parceled out much of the land of his kingdom to his troops. Christophe at first kept his land together and instituted a highly productive plantation agriculture with a form of forced labor not far removed from slavery. But before he died he succumbed to the unrest of the peasants and subdivided the land in the North as well.

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As long as the population was relatively small, there was great poverty in Haiti but not the ecological crisis that has come to maturity in the years since the Second World War. It is evident that if the rural economy is to survive, at the very least there needs to be both a system of catchments, reservoirs, and irrigation conduits and an extensive program of reforestation. But the peasants need also to withdraw land from regular cultivation so as take measures to restore its fertility. If the rural areas were organized collectively, some of what is necessary could be carried out by the collectives, but the predominance of small tenant plots and individual responsibility makes such organization impossible on the scale that is needed for survival.

The Haitian manufacturing industry is not very substantial. Production consists predominantly of assembly processes. Most of them are carried out in foreign-owned firms which import raw materials and export the products. Baseballs used in the U.S. major leagues are a representative product. But the flow of foreign capital has always been small and sporadic because the country's political system has been so unstable and prone to violent eruptions. Moreover, Haiti has little capacity to accumulate capital from domestic sources because it has only a very small class of capitalists in the usual sense.

The Superstructure

Almost universally, it seems, writers who address the Haitian class structure refer to the dominant classes as an "elite," possibly because Haiti's social formation does not easily fit into the classic categories. The political economy of today's Haiti was created in stages, beginning with the gradual growth and economic ascendancy of the coastal towns in the first half of the nineteenth century. Given the location, climate, and geography of Haiti, it was almost inevitable that the interior would be an agricultural region and the coastal towns would become the centers of commerce. Direct taxation of the hinterland was all but impossible under the conditions of the nineteenth century, but agricultural exports (and

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imports in general) could rather easily be taxed at the ports of exit and entry. Thus the cities of the coast became the principal sites for extracting surplus value from the peasants in the forms of tax revenues and mercantile profits. A relatively wealthy class of merchants (the so-called *bord de mer*) developed in the coastal cities and towns. These changes gave rise to a modest urban proletariat and a state that would over the years facilitate the exploitation of the rural economy and prosper the projects of the *bord de mer.* Thus was the characteristic form of Haitian capitalism born.

In the era of the Duvaliers the process reached its logical destination. François Duvalier, who ruled as president from 1957 to 1971, so refined the technique of holding and exercising state power that at his pinnacle he might well have said not only "I am the state" but "I am the church, the army, and the economy" as well. In the process of bringing the whole of the state and civil society into his orbit, Duvalier created the notoriously brutal *tontons macoute,* a militia that owed its existence and allegiance to him alone. He rewarded faithful *macoutes* with state money and positions of power, gave free rein to their sadistic proclivities, and used their menacing presence to punish all open and suspected challenges to his rule. In some respects, then, the Duvalierist system resembled fascism, even to the point of exalting its black leader, extolling phenotypic blackness, and scorning the "mongrel mulattos."

Duvalierism began to disintegrate during the presidency of the ineffectual Jean-Claude Duvalier (1971-1986), and the *tontons macoute* was badly damaged as an organization during the uprising that drove Jean-Claude from the country. But the factors that made Duvalierism possible in the first place still exist and cannot be uprooted quickly, because they extend down into the bedrock conditions of Haitian life: the poverty and backwardness of the countryside and the inequaltity between country and city.

What might seem like robbery and corruption *tout court* to someone who lacks the capacity for making nice political distinctions is in fact just the Haitian variant of capitalism, in

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which the appropriation and disposition of the surplus are largely carried out by the state and are therefore controlled by the class fraction that for whatever reason is able to exercise state power. When this power falls into the hands of a François Duvalier, clever and creative as well as self-serving and ruthless, it becomes *Duvalierisme*, the Haitian variant of fascism. Its manifold dimensions have only been touched on here, and most of them are still very much in evidence in the Haiti to which Aristide is about to return.

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When he does return in October, in all likelihood he will be a condemned man, and Aristide surely knows that. The army and the established church do not want him, the surviving *tontons macoute* and other relicts of Duvalierism do not want him, the moneyed classes do not want him. Only the rabble of Port-au-Prince's unspeakable slums want "*Pè Titid*," as the Creole-speaking masses call Father Aristide.

There is always the possibility that the junta will simply make empty gestures to Aristide—give him the presidential office, reshuffle some titles and commands among the officers, send Cedras away for a long vacation—and refuse to give up its power. In that event the United States may decide to accept matters as they are and proclaim the triumph of democracy. How the masses of Port-au-Prince might react to that is anyone's guess. It would be one thing if Aristide had to flee again and quite another if he is simply ignored.

Whatever the outcome, however, it is telling that the raggedy and desperate country of Haiti, which has only one medical doctor for every 8,000 of its population, should have given the world one of the few great actors on the historical stage today. The *Times*' editors have never acknowledged this in so many words, but the space and talent that they have devoted to reporting Aristide's presidency make it evident that they understand what a magnificent historical personage he is.

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Secretary Robert Lansing notwithstanding, no one should be surprised that such a figure has appeared in Haiti, a nation that unashamedly names cities and public places in honor of former slaves. Aristide is, after all, the spiritual descendant of a people who mounted what C.L.R. James called history's only successful slave revolt, a people about whom a defeated French officer wrote in his memoirs, "One has only to make war against them to know their reckless courage . . . . The more they [fall], the greater [seems] to be the courage of the rest." (C.L.R. James, *The Black Jacobins,* New York: Random House, p. 368.)

The fact of the matter is we have always been convinced that in order to maintain the rank and file nature of our union, in order to maintain democracy in our organization, in order to have officers and representatives to whom no shop grievance is too small to handle, no matter whether it affects one man or one penny—if you want that then you basically have to have an organization where your officers and your organizers feel *like* the members and not feel *for* the members. There is a big difference. . . .

I know that arguments come up—all kinds of arguments. One of them is the need to maintain the prestige of our officers. . . .Let me tell you, this union is twenty-nine years old. . . .We never got a single cent, we never got a single contract or a single benefit from the companies because of the prestige of your officers. It was a question of what muscle we had back home and what you were doing in the shop, and only to that extent did anything pay off.

Sure, the officers and representatives have all of the problems our people have. You have installment buying and you have to make payments on the car, and the organizers and representatives of this union do the same thing. You have to borrow money to send a kid to college, and your organizers and representatives do the same thing. What's wrong with us having the same problems that you have?—*What Should Union Officials Be Paid?*, excerpts from the remarks of James J. Matles, UE Secretary-Treasurer, to the delegates at the 29th UE International Convention in 1964.

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THE PAST AND FUTURE OF SWEDISH SOCIAL DEMOCRACY: A REPLY TO KENNETH HERMELE

by DAVID VAIL

Kenneth Hermele's recent *MR* article, "The End of the Middle Road: Whatever Happened to the Swedish Model?" (March 1993) relates a story about the demise of Swedish social democracy which American progressives should come to grips with. Based on my reading of Swedish political economy and the experience of working in Sweden for large parts of the past seven years, however, I find Hermele's analysis and forecast only about half right.[1]

He is certainly right to stress that capital in Sweden is extremely concentrated and that the big international corporations—Electrolux, Volvo, Eriksson, etc.—have trashed the labor-capital accord that was a hallmark of Sweden's "Middle Way" for fifty years. Indeed, the big corporations' aggressive new strategy goes far beyond the capital flight and anti-tax blackmail Hermele stresses. By the latter 1980s, the Swedish Employers' Federation had also rejected centralized wage bargaining, a cornerstone of the "Swedish model." In the 1980s, the Swedish Employers' Federation, allied with the Conservative Party, also bankrolled neoliberal think tanks and a massive public relations offensive that sanctified individualism and denounced the social democratic-dominated state as oppressive and inept.

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Hermele is also on the mark in criticizing the failure of social democratic (SAP) governments in the 1980s, dominated by "pragmatists" and especially by the grey eminence, Finance Minister Feldt, to respond effectively to the capital strike and the conservative ideological offensive. Missing from Hermele's denunciation of the SAP, however, is an adequate appreciation of the adverse objective conditions in which it (and progressive forces worldwide) operated in the 1980s and must operate in the 1990s.

First, global capitalist restructuring, engineered by aggressive and footloose capital, has eroded national economic sovereignty everywhere, putting national labor movements and their political allies on the defensive. We don't need the Swedish example to confirm this: British Thatcherism and the French Socialists' debacle will do. These international conditions are bound to hit nations like Sweden—with its labor-backed government, democratic corporatist (negotiated) class relationships, and extensive, costly public programs—especially hard.

Second, Sweden's elaborate system of entitlement—the welfare system—was created during the period of rapid and sustained post-war economic growth, when the expansion of socialized health care, child care, parental leave, etc., was compatible with rising personal income and corporate retained earnings. The secular slowdown that hit Sweden with the first oil shock in 1973-1974 produced both a chronic fiscal crisis and increasing popular resistance to higher taxes. (The public sector's "cost disease," concessions to the wage demands of SAP's backers in the public employee unions, and stagnant real wages all reinforced the fiscal crisis and taxpayer resistance.) By the latter 1980s, economists of every ideological stripe recognized the economic inefficiencies stemming from very high marginal income tax rates and from payroll levies that drove a big wedge between employers' labor costs and workers' pay.

Third, times have changed greatly since 1932, when Swedish wage earners and their farmer allies elected a Social

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Democratic coalition government and then carried out a thirty-year struggle for social justice and economic security. Highly educated white collar workers now outnumber the blue collar workforce. The younger—"*amerikaniserad*—generations take the welfare state for granted. And though Swedes, according to my research, are the world's most environmentally committed voters, their "greenness" has not translated into a coherent political movement or agenda. (The Green Party won seats in the Kisdag in 1988, proved ineffectual, and was voted out again in 1991.) In sum, "Svensson," the typical Swede and Social Democratic stalwart, is an increasingly rare breed. Given Sweden's complex and evolving political culture, it is difficult to describe what a winning social vision and economic strategy for the social democrats would look like.

Looking to the future, one thing is certain and another is fairly certain. It is certain that the Social Democrats cannot return to power and govern effectively unless they broaden their base of voter support beyond the mix of blue collar workers, public employees, and pensioners who have been their core voters in recent elections. And it is fairly certain that if they play their cards right, the social democrats will soon get another chance to govern because of Sweden's present social and economic disaster, over which a center-right coalition is presiding. In light of Hermele's gloomy prognosis for the social democrats, these forecasts require some amplification.

It seems to me that Hermele fundamentally misinterprets the past relationship between the social democrats and the trade union movement; in so doing he misconstrues core features of the "Swedish model" that will continue to be relevant in the future. By his interpretation, the big industrial unions were "the major part of the working class to benefit" from social democracy; further,

> The workers' interest. . .was. . .the promise of increasing real wages at the expense of other aspects of working life. Hence, work content, responsibility, and other working conditions were sacrificed at the altar of Mammon.

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Unorganized workers, part-time workers (especially women), and the labor force of less dynamic sectors such as textiles were left out of the alliance.

Hermele goes on to reiterate "the subordination of human needs to the economic interest of a section of the working class."

These passages caricature modern Swedish history and prompt misleading expectations about the future. In actuality, Swedish education and training, and above all centralized wage bargaining, consistently sought to erode differences of opportunity, pay, and status among the many groups that constituted Sweden's working class. (Not to claim that the strategy was an unqualified success.) For over thirty years, the "solidarity wage" principle was upheld in central wage bargaining: low-end wages were raised at the fastest rate and there was a commitment to equal pay within occupations, regardless of differences in sectoral productivity and profitability. By various means, Sweden achieved the capitalist world's highest ratio of women's pay to men's pay. The political economic record simply does not support the notion of a narrowly self-serving "labor aristocracy" in Swedish heavy industry.[2]

The SAP-trade union commitment to workplace democracy was enshrined in a series of worker-management co-determination laws passed in the 1970s; it has been backed by an outstanding technical and vocational education system that prepares front-line workers for participation in mental work and collaborative managerial functions. (The point, again, is not that these measures have worked perfectly.)

The formation of Sweden's comprehensive welfare state was guided by a metaphor of inclusion—"*folkhemmet,*" the people's home—and the principle underlying its programs was universal entitlement of all citizens, not just the poor—or a labor aristocracy. All of these traditions reflect an egalitarian and inclusive vision. Revived and reshaped to fit the tough times and the international economic integration of the 1990s, this vision might still have the power to mobilize a

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majority of Swedish citizens behind a social-democratic program.

As I have indicated, the SAP may soon face the challenge of having to articulate a workable vision, since voter support for the present bourgeois government has plummeted in the face of depression-like economic conditions and pessimistic near-term forecasts. In fairness to conservative Prime Minister Carl Bildt's government, it inherited the set of economic contradictions outlined by Hermele, including double-digit inflation, public sector "sclerosis," capital flight, and the disintegration of centralized wage bargaining. The conservative response, articulated by Fiscal Affairs Minister Bo Lundgren in a *Wall Street Journal* op-ed piece, was to "embrace Reaganomics" (just as the United States' electorate was rejecting it!).

Restrictive monetary and fiscal policies, including Reaganistic actions to weaken safety net programs like sick pay and unemployment compensation, have wrung the inflationary pressure out of the economy—but at the expense of a decline in GDP that is now in its third year. Open unemployment has passed the 5 percent mark and is expected to hit 7 percent in 1994, levels unheard of since the 1930s. (The social democrats, strongly committed to full employment, were voted out when the unemployment rate was still below 3 percent.) The true magnitude of unemployment problems is far greater, since another 7 percent of the workforce is engaged in countercyclical retraining programs and public make-work jobs. Even with cuts in entitlement programs and public services, the state's budget deficit has reached 14 percent of GDP (liberal American politicians are alarmed at deficits running about 5 percent of GDP). The government bravely forecasts economic recovery in 1994, but a robust recovery depends on an export demand boost from the European Community, which is also in a serious slump.

Sweden's protracted economic downturn and the government's callous response have been an object lesson to Swedish citizens. Opinion surveys make it clear that they have

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a measure of patience with measures to tackle the state's cumulative defects and the economy's structural problems. But no regime can maintain its legitimacy with "Svensson" unless it has a believable commitment and a plan to ensure basic material security and a return to high employment levels. The four party bourgeois coalition is failing this test. It came to power in 1991 with just 49.5 percent of the vote; the social democrats received a sixty-year low of 38 percent. By February 1993, the coalition partners had dropped to 38 percent voter support in official polls, while the SAP had surged back to 47.5 percent, its highest level in thirty years. To reach a legislative majority, the coalition must frequently solicit parliamentary support from right-wing populists in the New Democracy Party, which has further antagonized mainstream voters. Women, in particular, are abandoning the centrist parties for the social democrats.

Women are prominent in another movement, the upsurge of labor union membership, which signals workers' fear of and hostility toward both right-wing politics and the corporations' divide-and-conquer strategy. Union membership had eroded from nearly 90 percent of workers in the late 1970s to about 80 percent at the end of the 1980s, but it has rebounded to 84 percent since the 1991 elections, with women leading the way.

The social democracy leaders may or may not succeed in prying centrist parties loose from the governing coalition, to form a center-left government before the 1994 general election. However, absent a dramatic economic turnaround and a credible conservative gesture of solidarity with the million Swedes who are enduring real economic hardship, it seems very likely that voters will give the social democrats yet another chance to form a government in September 1994. Whether the SAP's return to power comes sooner or later, they will face an exceptionally difficult challenge, one they did not handle effectively in the 1980s; to keep faith with the party's historic commitment to equality and solidarity while positioning

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Sweden to compete and prosper in the global capitalist economy.

In conclusion, I offer a brief about Sweden's future place in an integrated European economy. Sweden has applied for European Community membership and negotiation of terms is underway. Indeed, it was the social democrats who resolved to seek membership back in 1990. Hermele and many others, including Fiscal Affairs Minister Lundgren, cited above, expect EC membership to obliterate the last remnants of political-economic features which once made Sweden seem an authentic "middle way" between laissez-faire capitalism and state socialism.[3]

I would argue for a more optimistic prognosis. Among the present twelve EC members, some smaller nations, notably Denmark and the Netherlands, have well-established progressive social and environmental polices that they want to protect. The Danes' anti-Maastricht referendum vote a year ago sent a powerful message about the depth of this commitment. Indeed, one day after the Swedish Riksdag resolved to seek EC membership, the Danish Foreign Minister acclaimed the move on grounds that it would reinforce Denmark's interests within the EC. In seeking membership, Sweden is joined by Austria, Finland, and Switzerland; Norway is also expected to apply soon. These are among the most progressive capitalist nations, and thus it is not hard to imagine a future in which nations with strong "red" and "green" political movements join forces to play a more prominent role in the EC than they do at present. In this European Community, a social-democratic Sweden could be a leading player.

NOTES

1. I confess a Jekyll and Hyde reaction to the recent policies and tactics of Sweden's Social Democratic Party. When in Sweden, I tend to view the social democrats critically, from a socialist-environmentalist perspective. But on this side of the Atlantic, where even Bill Clinton seems fairly progressive, I

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find myself much more strongly aware of the social democrat's past accomplishments and present virtues. That is the angle of vision I take in this piece.

2. It is true that in the 1970s and 1980s the metal workers and other industrial unions pursued a more narrowly self-interested agenda. This was essentially a defensive reaction to the intense international competition and capital flight in industries linked to mining, metals, and shipbuilding.
3. The EC negotiations are likely to be concluded in time for a constitutionally required referendum in 1994, but it is too soon to predict whether Swedish voters will support EC membership. In the current atmosphere of pessimism and hostility toward the bourgeois government, a majority of voters oppose membership.

I can quite understand a man accepting laws that protect private property, and admit of its accumulation, as long as he himself is able under these conditions to realize some form of beautiful and intellectual life. But it is almost incredible to me how a man whose life is marred and made hideous by such laws can possibly acquiesce in their continuance.—Oscar Wilde

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A RESPONSE TO DAVID VAIL

by KENNETH HERMELE

David Vail is right in arguing that the social injustice in Sweden is less pronounced than in many comparable countries. For instance, the social security system is less gendered (which reduces women's dependency upon men) and the gap between male and female wages is smaller (although still important: on average women's wages are 20-30 percent lower than what men receive in similar occupations). Nevertheless, he underestimates the degree to which important social issues were marginal to the Swedish Model.

Achievements and Limitations of the Swedish Model

In my *MR* article I argued that the Swedish model should be understood as growing out of a compromise between labor and capital, a kind of social contract or alliance which simultaneously was broad and restricted. It was broad in that it supplied the majority of the population with material and social benefits. But it was also restricted in several respects. Firstly, it was based on the exporting and increasingly transnational industrial corporations at the expense of small and medium-sized capital. In general, the Swedish model fostered export dependency at the expense of the home-market oriented sectors of the economy. Secondly, it favored a regional concentration of the population to the Southern and Western parts of the country at the expense of the remainder.

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And thirdly, it gave priority to material benefits at the expense of issues related to gender, power, and influence (especially in the day-to-day working life).

When women entered the labor force on a massive scale in the 1960s, many of the traditional female tasks passed from the home to the public sector. Thus women came to provide essentially the same social functions as earlier. As Olaf Palme stated in 1972: "If female employment is to be increased, it is obvious that a great share of the women will find jobs in the public sector." However, this also meant that the gender division of labor was repeated outside of the family, on the labor market.

Another consequence of the restricted character of the Swedish model is that work conditions are still appallingly poor. Over two-thirds of all women and men in the labor force reported in the mid-1980s to be suffering from physically exhausting jobs (i.e., monotonous, heavy, or with damaging work positions)—and the frequency was rising. Furthermore, this strain has been growing the most for women, which is an indication that public sector employment may not be any less physically detrimental than many traditional industrial jobs.

Likewise, ownership and workplace democracy issues remain backward areas of the Swedish model. This is perhaps to be expected, as the workplace democracy issue contains a rather complex problemic which social democracy has had difficulties in tackling. The traditions of the Swedish model imply the centralization of power, while workplace democracy carries the opposite promise: decentralization and local execution of power and influence.

It is true, as David Vail states, that a number of laws were passed in the 1970s, allegedly to strengthen labor's position vis-à-vis capital. But labor's position basically improved only in as far as security of employment was concerned. With respect to control, ownership, or influence, however, no noticeable shift in the balance of power is noticeable. Not even the law on "co-determination" (*medbestämmande*, MBL) of the mid-1970s entails a transfer of power and influence from capital

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to labor. The law only stipulates that the employees have to be consulted and informed, while management still unilaterally may make its decisions as it pleases. No wonder that many trade union people call this law "a motor-car horn": first management warns you by blowing the horn—then they run you over.

Facts and Fancy

David Vail subscribes to a vision that confronts the Swedish social democrats with an almost insurmountable task, that of overcoming three major shifts in world-wide and Swedish circumstances: "the global capitalist restructuring, engineered by aggressive and footloose capital," the growing difficulties in financing "Sweden's elaborate system of entitlement—the welfare state" in the face of "a chronic fiscal crisis and increasing popular resistance to higher taxes," and the growth of white collar professions at the expense of the working class, the traditional backers of social democracy.

Vail's list is illustrative of the mix of fact and fancy which underlies discussion of the Swedish model, also in Sweden. Firstly, the impact of the internationalization of capital cannot be taken for granted. It is a judgment of the inherent weakness of the Swedish model that it gradually eroded its own margin of maneuver by letting transnational Swedish capital define the long-run interests of society as a whole. A policy which had leaned more on the sections of the economy which were home-market oriented—and thus also frequently related to the welfare state—would have weakened the hand of the transnationals and increased the room for politics at the national level.

Hence, the policy pursued meant that the potential for forcing the hand of capital gradually was lost. For instance, had social democracy taken the 1980 referendum on nuclear power seriously, it would have set in motion policies to enable Sweden to close down its twelve nuclear power reactors—and simultaneously would have fostered internationally competitive and ecologically sustainable new industries, e.g. in the

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areas of power generation and transport systems. The unwillingness of social democracy to grasp this opportunity is an indication of how caught in its own net it had become—and how unwilling to design a long-term strategy.

Secondly, it was not the welfare state which brought on the fiscal crisis of the Swedish model, as implied by Vail, but a tax reform initiated by the social democrats and subsequently aggravated by today's bourgeois coalition government. The tax reform—which more aptly could be called a tax counter-revolution—spelt a drastic reduction in the overall level of taxation and a shift of the tax burden from the rich to the poor.

Vail's last point, the growth of the service sector, is certainly well taken, but it has not constituted a problem for the Social-Democratic party. On the contrary, it has enabled a transfer of the party's political base from the industrial workers (mainly male) to the employees of the public sector (mainly female). This shift has kept social democracy in power for as long as it could.

Replicability of the Swedish Model

When social democracy regained government power in 1982, after being ousted in 1976, it devised an ingenuous policy of buying the complicity of capital instead of forcing it to behave productively and with foresight. This was social democracy's "third road" and it was portrayed as being in the best traditions of the Swedish model. In fact, it not only constituted a fundamental break with the principles of the Swedish model; it also led to large-scale speculation and short-sightedness of a nature not seen in Sweden since the 1930s.

It is here that we find the origin of today's crisis. Sweden's external account would be in good shape if we only considered trade in goods and services (i.e., the current account). In fact Swedish exports still cover all imports of goods and services as well as pay for Sweden's foreign aid and for Swedish tourists' expenses abroad. Nevertheless, the balance of pay-

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payments is negative on account of the losses which have to be paid as a result of the failed speculative lending spree which Swedish firms and individuals set off in the 1980s, fueled by the windfall profits of the third road. To cover the losses of the banking system and other financial institutions (mainly insurance companies) which followed this speculative phase, will take a great chunk of the Swedish budget for years to come. In addition to the tax reform, mentioned above, it is here that the real origins of the present crisis can be found. And as noted: behind this phase lies social democracy's aborted attempt to revive the Swedish model.

Now, David Vail hints that social democracy failed to revive the Swedish model because its attempt was carried out in a new international context, with the position of capital much strengthened, and he pins his hopes for a return of good social-democratic governance on the European Community. We may assume that this hope is shared by the leadership of Swedish social democracy as it would explain why it decided to submit Sweden's application for membership in the EC (however, without prior consent from its own highest ruling body, the Party Congress).

Nevertheless, a number of factors advise us not to be too optimistic. Foremost among these are the rules regulating the EC itself. Here, anti-inflationary policies gain priority over policies creating employment, which is one of the reasons for the EC's constant high levels of unemployment. To assure this monetarist and deflationary predominance, central banks are made independent of parliaments throughout the EC (a delinking Sweden has also instituted recently). If the European Monetary Union is realized, this anti-employment bias will be further strengthened. Also, the EC's letting free the international flow of capital introduces a fundamental anti-union bias.

In sum, the EC serves by design and intention the interests of big businesses—as they themselves perceive them. This is a crucial diversion of one of the tenets of the Swedish model:

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that capital has to be kept under pressure in order to benefit society as a whole. Otherwise, it will run amok.

Of course, we may wish, as does David Vail, that "the most progressive capitalist nations"—whichever they are—shift the balance in the EC in favor of labor and equity and justice. But the facts speak another language. Swedish social democracy today is not fundamentally different from the bourgeois parties with which it is competing for government power. It embraces deregulation of financial markets and international capital flows, it dreams of a future of unlimited economic growth, it accepts the neoliberal position that equality and power sharing has advanced too far in Sweden and that Sweden's economic problems can be resolved by increasing the freedom of capital, domestically and internationally. Visions of a real transformation of Swedish society as well as of Europe as a whole (i.e., not only the Western European EC) must simply come from other quarters.

Do you know what keeps bothering me now? I'm not satisfied with the way people in the party usually write articles. They are all so conventional, so wooden, so cut-and-dry. . . .Our scribblings are usually not lyrics, but whirrings, without color or resonance, like the tone of an engine-wheel. I believe that the cause lies in the fact that when people write, they forget for the most part to dig deeply into themselves and to feel the whole import and truth of what they are writing. I believe that every time, every day, in every article you must live through the thing again, you must feel your way through it, and then fresh words—coming from the heart and going to the head—would occur to express the old familiar thing. But you get so used to a truth that you rattle off the deepest and greatest things as if they were the "Our Father." I firmly intend, when I write, never to forget to be enthusiastic about what I write and to commune with myself.—Rosa Luxembourg

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THINKING AND ACTING DIALECTICALLY: C.L.R. JAMES, THE AMERICAN YEARS

by GRACE LEE BOGGS

This is the first university-sponsored C.L.R. James conference at which I have been asked to speak. I dare say it's also the last because my approach to James is quite different from that of the professional intellectuals who organize and attend these conferences. The C.L.R. with whom I worked for two decades was, first and foremost, a builder of a revolutionary political organization. For him, being part of such an organization was the best way for the revolutionary to know reality and to become an integral part of the process of changing it.

I first met C.L.R. in 1941-1942 in Chicago where I had gone to live after completing my graduate studies. I had just discovered the power of the independent black struggle through my participation in the March on Washington Movement, which forced F.D.R. to issue Executive Order 8802 banning discrimination in defense plant hiring. C.L.R. had just returned from working with sharecroppers in Southeast Missouri and was bubbling over with that experience and with the stories he was hearing from participants in the sitdown strikes which had led to the formation of the C.I.O. For C.L.R.

This article is the text of a talk given at a conference on "C.L.R. James: The American Years," which was held at Brown University on April 13, 1993. Grace Lee Boggs is a long-time activist and writer and is currently working on a youth project to rebuild Detroit.

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the labor movement of the 1930s and 1940s was Marx's magnificent passage in *Capital* come alive:

> Along with the constantly diminishing number of the magnates of capital who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself.

Like other radicals of the period C.L.R. was also very concerned with the nature of the Soviet Union or what we called "the Russian Question." But because the organization of the CIO had led him to a careful reading of Marx's *Capital*, he was approaching the Russian question not in terms of property relations or the nationalization of industry but from the standpoint of the workers in the process of production. As a result, he was coming to the conclusion that the Soviet Union was a state-capitalist society. When he discovered that I could read German and had studied Hegel, we spent hours reading passages of *Capital* in German side-by-side with passages from Hegel's *Science of Logic*.

That initial experience with C.L.R. has shaped my movement activities for the last fifty years. That today I am still an activist is due largely to what I learned from him about the need to combine practical struggles with continuing exploration of the most profound philosophical questions, because reality is constantly changing and intellectuals especially run the risk of becoming trapped in the fixed concepts of what Hegel called the "Understanding." As a result, I have always been challenged rather than discouraged by emerging new contradictions.

C.L.R. didn't only read Marx, Engels, Lenin, and Trotsky. He surrounded himself with books of all kinds—history, literature, art, novels—perusing several simultaneously. They were all over his bed and on the floor next to his bed. But what he liked even better than reading was sitting down with members of the organization (usually at 629 Hudson St.,

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the home of Freddy and Lyman Paine) and listening to them talk about their lives and their work. These rank-and-file workers, women, blacks, and young people inside the organization were his transmission belt to reality. They were Shakespeare's groundlings, the Levellers and Diggers of the English Revolution, the *sans culottes* of the French Revolution, and the rank-and-file workers and peasants of the Russian Revolution whom Lenin called "the third layer." The C.L.R. I worked with would turn over in his grave if he knew that a conference on his American years was being held without their up-front participation.

The Johnson-Forest Tendency (as we called our organization) was very small—never more than seventy-five and usually fewer. But we were a representative sample of the new human forces that were emerging in the United States during the Second World War, an intergenerational multi-cultural mix of African Americans and Euro-Americans, Asians and Hispanics, workers and intellectuals. Most of us worked in the plant which during the war was like a vast school where people from all different ethnic and social backgrounds exchanged stories of where they had come from and how they viewed their lives. It was like a "Great Awakening," a rediscovery by Americans of what united them in their diversity. Working conditions were also quite relaxed because defense contracts with the government were cost-plus. For example, in the plant where I worked we held Negro History sessions during our coffee breaks, sauntering leisurely back to our jobs when the bell rang. During the deer hunting season Detroit workers would bring their kill into the plant to roast for lunch. As the war was coming to an end there was a lot of speculation about the future. Workers were very conscious that it had taken the war to get us out of the Great Depression. So they worried about what would happen to jobs after the war. Conscious also that cost-plus was the reason why management was so lax, they wondered how production would be organized after the war.

It was out of this great consciousness-raising experience shared by millions of Americans, along with the discovery by

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Raya Dunayevskaya of Marx's *1844 Economic-Philosophical Manuscripts*, that *The American Worker* pamphlet was written.

C.L.R. plied everyone he met with questions. But it was the members of the organization whom he depended on for continuing accounts of changes and developments in the life of the American people. "One of his great strengths," as Freddy Paine points out in a recent letter, "was his ability to listen and internalize ideas from the rank and file." From us he learned how a rich diversity of Americans were thinking and feeling; and in turn, because of his familiarity with European culture and the independence movements in Africa and the West Indies, he was able to satisfy our hunger for an enlarged view of the one world which was emerging during the Second World War.

According to their interests and backgrounds individual members of the group made specific contributions. Raya Dunayevskaya, aka Freddie Forest, had arrived independently at the state-capitalist analysis and remained the confident exposition on what was taking place in the Soviet Union. Lyman Paine, a descendant of one on the signers of the *Declaration of Independence*, represented a significant strand in the American Revolution. Freddy Paine shared her experiences as a labor organizer and Unemployed Leagues activist in the thirties and also introduced C.L.R. to American jazz. Paul Romano, Johnny Zupan, Marty Glaberman kept us up-to-date on developments in the auto plants. James Boggs and Si Owens (aka Charles Denby/Matthew Ward) were especially helpful because they were among the growing number of black workers from the South who had been radicalized by their experiences in the plant and in the Detroit black community. Constance Webb used her literary skills to write up Si Owens' life story in *Indignant Heart*. From Selma Weinstein (later Selma James) and Filomena Daddario we got a sense of how working women were beginning to see a woman's place as anywhere they wanted to be.

Inside the Workers Party and the Socialist Workers Party the Johnson-Forest Tendency was what we might today call a

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"collective." We weren't trying to build a party to lead the workers. As we put it in *Education, Agitation, and Propaganda*, "Groups of Virginia miners, West Coast sailors, Southern sharecroppers, Pittsburgh steel workers, all sorts of 'left' formations" will "in time coalesce and hammer out a unified organization. . . .They will bring their qualities." Our special contribution will be a "method of thought and a conception of social development which makes their own lives and efforts intelligible to them in national and international terms."

In any radical gathering members of our Tendency stood out because of the seriousness with which we combined practical and disciplined activity in real struggles with philosophical exploration. Unlike most radicals we believed that in politics morals mattered. As we said in the section on C.L.R. in our "Conversations in Maine:"

> Among us the habit of the investigation of the philosophy that lay behind past history, present movements, etc. had been established. We were extremely conscious that without a notion of philosophical and historical basis of what you are doing, you don't understand anything. Some of us were philosophically trained but the workers among us had also developed this habit. In the other tendencies this was not true.

What also distinguished our group was the continuing challenge to intellectuals to listen to the rank and file, empowering rather than holding forth and dominating them. In the fall of 1952, while he was still on Ellis Island, C.L.R. spearheaded the creation of the "Third Layer School," where rank-and-file workers, women, and youth did the talking and intellectuals did the listening. It was at the Third Layer School that I met James Boggs, whom I would later marry.

C.L.R. knew and said on many occasions that the organization was the source of his political creativity. After he had to leave the country, he tried to maintain the organization and his leadership of it through a flood of letters and by bringing various members of the group to London to work with him for extended periods. Filomena Daddario and I

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spent the Spring of 1954 in London. Selma came the next year. In 1956 Lyman visited for several months. Jimmy and I were there in 1957. In 1960 we spent five weeks with him in Trinidad. But letters from London and extended individual stays in London could not provide the ongoing dialogue with Americans engaged in real struggles which had made the 1940s and early 1950s such a productive period in C.L.R.'s life.

During those years C.L.R. had been quasi-underground, known to a very limited circle because he wrote under various pseudonyms and only for the newspapers and magazines of the party. After he left the United States he was much freer physically and intellectually, speaking and writing brilliantly under his own name on a wide range of topics for the mainstream press and mainstream organizations. He could and did travel all over Europe, fly to Africa and the West Indies, even return to the United States after the rebellions to teach in Washington, D.C. and lecture at universities all over the country. But he was never able to recreate the organization of the forties and fifties which had provided him with a method of knowing reality and a way to become a part of the process of changing it. As a result, he began to become increasingly self-centered and arbitrary, convinced that he could continue to lead the organization from abroad, so full of himself that he began to conflate his own personal history with the history of humanity.

Meanwhile, tremendous changes were taking place in the United States. In the middle and late 1950s management in the auto industry began introducing the hi-tech which would eventually lead to today's situation where the working class, instead of always increasing in numbers, is being decimated. Instead of labor being liberated from capital, capital is being liberated from labor. In the face of this metamorphosis, which some economists call the "dissaccumulation of capital," the labor movement which had had such an impact on C.L.R.'s thinking was turning out to be a paper tiger.

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At the same time the black movement was gaining momentum. But white workers in the plant, instead of being galvanized into revolutionary action by the independent black struggle, as we had anticipated in our resolution on what was then called "The Negro Question," were either passive or downright hostile.

By the early 1960s, it had become obvious to some of us in the organization that in order to participate in real struggles, we needed a serious re-evaluation of the political positions which we had developed in an earlier period.

In 1961, James Boggs, who had been working on the motor line at the Chrysler-Jefferson plant for more than twenty years, was the chair of Correspondence, the organization we had formed in 1951 after leaving the Socialist Workers Party. In this capacity he was responsible for drafting the annual evaluation which we called "The State of the Nation: State of the Organization." Analyzing the changes taking place in production and in the country, the powerlessness of the unions and the growing militancy of African Americans, the document concluded that the next eruption in the United States was going to come not from the workers in the plant but from the "outsiders" especially blacks. (In 1963 this document was published, with minor changes, by Monthly Review Press as *The American Revolution: Pages From a Negro Workers Notebook.* Copies are available from the Monthly Review office for $2.95, plus $2.00 postage and handling.)

As usual we sent the document to C.L.R. in London for his comments. His immediate response was to denounce the document, saying that what the organization needed was education in Marxism and proposing that we publish articles by him on Marxism in *Correspondence.* Boggs' response was that what the organization needed was "not a reaffirmation or education in Marxism but a serious study of the development of American capitalism, the most advanced capitalism in the world." Towards that end he submitted a resolution that C.L.R.'s articles on Marxism and his views be "discussed inside

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the organization along with other documents before the organization."

To our utter amazement (in retrospect we should have paid more attention to the warning signs) C.L.R.'s reply to Boggs' proposal was an ultimatum. "From henceforth," he wrote back on January 15, 1962, "I break all relations, political and personal, with all who subscribe to this resolution."

After the break I saw C.L.R. only a few times and we had very little to say to one another. In 1976 he came to the party in Los Angeles which we held in honor of his and Lyman Paine's seventy-fifth birthdays. In 1986, when I went to London to speak at the weeklong festivities in his honor, I visited him a couple of times. By then the de-industrialization in Detroit and the ensuing epidemic of violence were being discussed all over the world. But C.L.R. never asked me about the situation in Detroit or what I was doing politically. Like many radicals of that period he was convinced that if you broke with him it was because you were looking for a way out of the movement. A couple of years before his death he wrote me a brief letter asking me to come to London to work with him on his autobiography. Particularly because I am a woman, it never occurred to him that I might have a political life of my own which I was not about to abandon to work on his.

Nevertheless, I shall always be grateful for what I learned during the years we worked together. What has remained in my heart and mind are not the political positions we took which were in response to the realities of the time, not the differences which developed after he had to leave the country, but a method of thinking and acting. What I internalized during those years was the importance of always keeping one's ear to the ground to hear the new questions that are being asked at the grass roots; always combining real struggles with philosophical exploration; always struggling to think dialectically. In other words, always being on the alert for the changes taking place in reality that force us to break loose from the fixed concepts that have come out of earlier struggles; always recognizing that everything and everyone contains contradic-

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tions so that what was progressive at one stage can become reactionary at another.

Pursuing this method of thinking and acting, it is obvious that the questions we are being challenged to answer today, as we approach the twenty-first century, are very different from those which people were asking in the 1940s and 1950s and even the 1960s and 1970s. Today people all over the United States are asking, "What is going to happen to our young people now that they can no longer get jobs in the plant? What kinds of jobs must we create for ourselves now that the multinational corporations no longer need our labor? What kinds of cities and communities can we create that will enable us to live in harmony with one another and with the Earth?"

Some people, it is true, are still waiting for the corporations to come back to Detroit, Los Angeles, *et al.*, and build factories employing thousands of workers, who, "disciplined, united, organized by the very mechanism of the process of production" will then revolt and take them over. But in Detroit, because it is so clear that we can no longer depend upon one industry or any large corporation to provide us with jobs, it is also becoming increasingly clear, as we say in this *Detroiters Uniting* brochure, that,

> it is up to us to put our hearts, our imaginations, our minds and our hands together to create a vision and project concrete programs for developing the kinds of local enterprises that will provide meaningful jobs and income for all citizens.

One way in which we are doing this is by organizing Detroit Summer, an intergenerational/multicultural youth program movement to rebuild, redefine, and re-spirit Detroit from the ground up. Just as young people mobilized thirty years ago for Mississippi Freedom Summer because civil rights was then the main challenge, so they need to be mobilized today to meet the main challenge of the nineties—rebuilding, redefining, and respiriting our cities. That is what is involved in thinking and acting dialectically.

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DIVIDENDS ARE NOT ROYALTIES: THE SAT AND SURPLUS VALUE

by MICHAEL PARENTI

It has been frequently noted that I.Q. examinations, while professing to measure innate intelligence, are riddled with racial, gender, and class biases. Thus a low-income, inner-city youth, confronting a seemingly innocuous phrase like "behind the sofa" on an I.Q. test, may find it unfathomable, not realizing that it is just a middle-class way of saying "in back of the couch."

Along with I.Q. exams, the Scholastic Aptitude Test (SAT) has come under fire. Going through my file, I came across a story, clipped several years ago from the *Washington Post* (April 28, 1989), noting that the Center for Women Policy Studies found that the SAT was biased against women. The center reported that about one out of every seven questions favored males over females, specifically questions about sports, science, war, and business. A more recent story in the *New York Times* (May 26, 1993) reiterates the charge of gender bias.

One claim made for the SAT is that it is designed to predict a student's college performance. Not true. Men consistently and substantially outscore women on the SAT, yet women earn higher grades both in high school and college. But, because of the gap in SAT scores, women are less likely

Michael Parenti's latest book *Land of Idols, Political Mythology in America* will soon be published to the profit of St. Martin's Press.

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to win scholarships or gain entry to certain schools and programs.

While agreeing that there is gender bias in the SAT, we might also wonder about the test's unexamined politico-economic bias. What caught my eye was an example offered in the *Post* article of the questions that favored males. Males are more likely to answer correctly the comparison: "Dividends is to stock as royalties is to writer." According to the SAT, the correct answer is "true." Presumably, both dividends and royalties are seen as income, while stock and writer are the respective income producers.

Wait a minute, I thought. What is so correct about that parallel? It is just such thinking that leads some people to accuse me of being a "capitalist" because I earn royalties on my books. But income accrued from stock ownership is something apart from salary or wages or royalties earned from hard work.* Dividends from stock represent profits from capital investment, money you make without having to work. The author of a book does not make profits on his or her book. He or she earns an income from the labor of writing it, proportionately much less than the sum going to those who own the publishing house and who do none of the writing, editing, production, printing, and marketing.

The sum going to the *owners* is profits, the dividends of the stock they own in the publishing house. It is a portion of the value added to the commodity by the labor power of others. It is what federal tax forms used to call "unearned income" and with good reason. Again—it cannot be said too often—profits are what you make when *not* working. This explains why, in most instances, the secret to getting rich is not to work hard but to get others to work hard for you.

That is why big commercial publishers of books and magazines bring in wealth for their owners while most of their writers live at the subsistence level. In 1975, when I published

*"Royalties" are analogous to dividends when they refer to profits on land, oil, and mineral rights that go to owners, something quite different from the "royalties" that go to writers.

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an Op-Ed in the *New York Times*, I was paid $150. Eight years later I published another in the *Times* and despite all the intervening inflation, I again was paid only $150. Today, almost two decades since I first appeared in that illustrious publication, the fee is still $150. I got the same munificent sum for an Op-ed I published in the *Los Angeles Times*. Furthermore, neither of these newspapers—nor most other major publications—pay permission or reprint fees to authors. That means the piece might get picked up by various other newspapers who then pay a fee to the *Times*—but the author sees not a penny of it. Some of the major magazines, known as the "big slicks," not only have frozen their fees but have reduced them over the years. Forget about trying to keep up with inflation; freelance writers are not even keeping up with the 1970s—even without accounting for inflation.

Some time ago, at a meeting of the Washington DC chapter of the National Writers Union, the chair asked for a show of hands of those who had earned over $5,000 from their writing in the previous year. Of about thirty persons, I was the only one who raised his hand—and that's only because I had a textbook that had enjoyed some adoptions.

Writers will tell you about their many grievances, about publishers who lie about sales figures and withhold royalties, about manuscripts accepted then never published, about book publication dates that are postponed for as much as three or four years, about books that are published only to have their distribution deliberately and completely aborted—"privished" it is called. Writers will tell you about payments and kill fees never collected, about articles that are completely rewritten by clunky-styled editors, about having no say regarding framing, titling, headlining, and rewrite. And they will tell you about major magazines and big publishing houses that have grown rich off their labor.

So a correct analogy would be: "Dividends is to stock as profits is to publisher." Leave the writer out of it, unless you want to say: "Wages is to workers as royalties is to writer." Authors make money off their own hard work, and usually not

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all that much. Unlike the publisher, they make nothing from the capital investment on their books because they don't have any capital invested. Like the proofreaders, editors, printers, and sales representatives, writers create value through the direct application of their mental and physical labor. A portion of the value they create goes to them. The rest goes to the investors.

What the *Washington Post* article, and the study it reported on, both missed was the political and class bias in that particular SAT question. What was taken as the correct answer happens to be incorrect or at least loaded with capitalist ideological presumptions that treat the pocketing of value by investors as identical to the creation of value by writers. Both investor and writer (like other workers) supposedly are "working" in partnership to create "earnings." Tell it to *Forbes* not to us underpaid scribes.

The *Post* quotes a New York state judge:

> After a careful review of the evidence, this court concludes that SAT scores capture a student's academic achievement no more than a student's yearbook photograph captures the full range of her experience in high school.

Well said. All I would like to add is that at least one of the SAT questions captures the biases and disinformation of a capitalist system all too well, biases that are so thoroughly ingrained as to go undetected and unchallenged in the very investigations that purport to expose bias.

All eyes are opened, or opening to the rights of man. The general spread of the light of science has already laid open to every view the palpable truth that the mass of mankind has not been born, with saddles on their backs; nor a favored few booted and spurred, ready to ride them legitimately, by the grace of God.
—Thomas Jefferson

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CORRESPONDENCE

Peru and the U.S. Left

by Brian King

What's with this Sendero Luminoso outfit, anyway? Here in the United States it seems to arouse the most broad and committed opposition of anything I've come across in a long time, except for maybe Koresh and his Waco wackos. I don't claim expert knowledge on Sendero, but I would like to speculate a bit on some issues I've seen raised by its opponents, and some by its supporters.

The letter from Gary Leupp in the March 1993 issue of *MR* was the first thing I've seen in any publication I read that had anything good to say about the Peruvian revolutionary group. I was very glad to see *MR* print that piece and think *Monthly Review* deserves credit for being willing to risk a certain amount of disapproval from many in the U.S. left, who would probably rather there wasn't an open debate on this topic. Good show, guys!

One thing that is missing from both the Leupp letter and the Hobart Spalding articles that I think should be a constant theme whenever U.S. socialists discuss revolutionary movements in other countries, is a commitment to opposing the efforts our own government is almost sure to make in favor of the status quo in those countries. If Vietnam taught us anything, it was that anti-interventionism has to be at the very heart of our activities, and on the tips of our tongues.

I think Gary Leupp gets too wrapped up in defending Sendero and forgets that it's not nearly as important to people in Peru that we support them as it is that we make sure our government doesn't interfere with what they're trying to do. It should be left to people in Peru to decide whether or not to support Sendero. I have noticed

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over the years that when support for revolutionary groups such as the FMLN in El Salvador or Sendero becomes a primary concern in the United States, groups working to oppose U.S. intervention in those countries seem to become more and more isolated from average people here. I do think the revolutionary process is fascinating, and that studying it can lead to a deep sympathy for people living and struggling far away under circumstances very different from our own. Our main goal, however, should be to appeal to the genuine sentiments among our own people against interference in revolutionary movements outside our country. Never forget the "Vietnam Syndrome!"

What about Sendero's killings, the lack of democratic practices, the apparent cult of personality around Guzman, and the refusal to work with the rest of the left in Peru?

As I understand it, Sendero believes that a state of war exists in Peru. During any war, there's going to be killing. Sendero makes it clear to everybody that representatives of the Peruvian state are considered enemies, and will be treated as such. A big difference between Sendero and the government seems to be that Sendero makes every attempt to warn people to cease the activities that have put them on a "hit list."

Sendero's policy on civilian defense patrols, or *rondas*, as they are called in Peru, is pretty straightforward. I have been told by supporters of Sendero that the recent history of Guatemala has made a very strong impression on the military strategists in the Peruvian revolutionary group. As Sendero reads it, the civilian defense patrols played a key role in the murderous defeat of the peasant revolution in that unhappy land. The rules are really clear in Peru; you join the *rondas*, you're dead. I can't blame anybody for doing what they consider is necessary to avoid the kind of wholesale emptying of parts of the countryside that appears to have gone on in Guatemala.

If anyone has doubts of the justice or necessity of this policy, I suggest they check out the May-June issue of *Mother Jones*. There's a photograph of a Sendero fighter, probably about to be killed, being paraded through a peasant village with a rope around his neck. The *rondistas* in the photograph are brandishing what look like twelve-gauge shotguns to me. As we used to say in the army, this is not the kind of situation you want to find yourself in!

One aspect of Sendero's killing has probably gained them a tremendous amount of grass roots support in Peru. They apparently make a major effort to track down and kill people guilty of torture.

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The same thing applies, I'm told, to particularly brutal officers in the military. My feeling is that this policy is a great idea and probably cuts down on the number of soldiers and police officials willing to behave that way. It seems to me that anybody would be glad to know that the guy who's about to "interrogate" them is just a bit scared that he could face summary justice if he gets too carried away!

Why is Sendero so reluctant to work with groups associated with the parliamentary left? As I understand it, they believe that there's been enough talk, that it's time to act. Like its policies on killing, this refusal to work with parties in Peru, doesn't appear to have cost them very much support among the peasants or the urban poor. Can anybody point to any compelling evidence that the electoral left was offering a legitimate alternative way out of the mushrooming social crisis that Peru, along with the rest of the Third World, faced in 1980, when Sendero embarked on its current path of armed struggle? People in Sendero were convinced that endless campaign promises and gentlemanly cooperation with the bourgeoisie were just demoralizing the masses and prolonging the very difficult conditions under which people in Peru have to live.

It doesn't appear to me that it would be accurate to characterize Sendero as democratic in its methods of party organization. As a veteran of Students for a Democratic Society, I doubt that I would function very well in the group. While some might view this as a legitimate point of criticism, I don't really think so. It's hard to figure how you could fight a revolutionary war unless you were willing to have a military command type structure for your group. The "cult of personality" around Guzman, while certainly anti-democratic, should be understood in this context as well. During a war, when you might be killed at any time, I believe there is a very strong tendency for people to want to believe that their leader possesses qualities that would make it possible for him or her to steer things toward victory, even if that might seem a too difficult task for a "mere mortal like me."

As victory nears, I believe the military command structure of Sendero will become more and more of a liability. New recruits to the organization will no longer be coming in with a high likelihood of being killed soon in the war. More and more eager young opportunists will see Sendero as a route to a government career, diluting the group's commitment to the masses. Under these circumstances, the need for democracy really comes to the fore. Without democracy, ultra-left adherence to a party line leads to Stalinism, it seems to me.

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The switch over will be tough. But it will be up to Peruvians to solve these and many other very difficult problems. What we in the United States need to keep in mind is that it's not really up to us. Does this mean we have to fawn over every ultra-left terrorist group that comes along claiming to be a revolutionary leader? Certainly not! How do we tell the difference? Well, if a guerrilla organization appears to be winning the support of large portions of the masses in a country, I think it deserves our respect. If it depended only on fear and terror for that support, Sendero would never get it. The government, with its U.S.-backed army, police, jails, etc., will always be able to out-terror any insurgent group. Peasants are no dummies. When faced with a choice between two bad guys, they're like you and me, they'll pick the big one. If they're picking the little one, there must be something more going on.

To be a Trade Unionist and fight for your class during a strike, and to be a Tory or a Liberal and fight against your class at an election is folly. During a strike there are no Tories or Liberals amongst the strikers; they are all workers. At election times there are no workers; only Liberals and Tories.

During an election there are Tory and Liberal capitalists, and all of them are friends of the workers. During a strike there are no Tories and no Liberals amongst the employers. They are all Capitalists and enemies of the workers. Is there any logic in you, John Smith? Is there any perception in you? Is there any sense in you?

You never elect an employer as president of a Trades Council; or as chairman of a Trade Union Congress; or as member of a Trade Union. You never ask an employer to lead you during a strike. But at election times, when you ought to stand by your class, the whole body of Trade Union workers turn into black-legs, and fight for the captialist and against the workers.—Robert Blatchford, *Merrie England*, 1903.

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Seven Years to the Millenium

by John Flannelly

With the eclipsing of the decades-old issue of the Cold War as the paramount issue of American politics has come a kind of gut-wrenching emptiness in the body politic, a sense that something has gone terribly wrong, a sort of hangover of regret. This is curious, to say the least; this strange longing for global conflict. The thing that Americans had wished for most has apparently come to pass; the Russians are groveling at their feet, and they can't stomach it. And the reason they can't stomach it, one might safely surmise, is that the pathetic specter of the Russians in collapse reminds them all too painfully of how closely tied their own prosperity has been to the maintenance of an official enemy. Absent an official enemy, the national security state is obsolete; ditto, the national purpose, and ditto the attendant boondoggles. Everybody seems to know this, yet nobody wants to talk about it. But what is it exactly that one would say, anyway?

The suspicion seems to be that to speak the truth would be to let the cat out of the bag, as it were, to give the lie to the American dream. Thus the reluctance to take on the big questions, to begin to ponder the end of what has been an exhausting century. Indeed, "exhausting" is a word of more than apt summation, as so much has been recklessly squandered, so much human life, so much idealism, so much hope, so much treasure. And in spite of all of our efforts to classify ourselves as a "higher species," the case can be persuasively made that as we close out the twentieth century we are in some manner devolving.

What else can be said of the fact that a system as egregiously exploitative as corporate capitalism now basks in the sunshine of a new universal acceptance? Or an ideology as searingly hateful as

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racial nationalism now enjoys a generalized rehabilitation? What is it about the human species that compels it to despise a vital part of itself, mainly, its own singularity, its own indivisibility? These are but a couple of the questions that might be asked, broad and vague as they are. Peculiarly, though, Americans seem to be in no mood to wonder about these things, at least not yet; nor do they appear ready to challenge the prevailing assumptions of the American marketplace, which would have individuals reduced to discrete units of consumption bound together only by particular selfishness. Why?

Perhaps there is something in the American experience itself which precludes soul-searching, some fatal flaw of hubris which would have us believe that we are not subject to the same laws of life as others; some notion that our gravity is different from everybody else's gravity, our air more rarefied. Whatever it is, Americans are moving into the twenty-first century woefully unprepared for what most certainly awaits them, chaos. They obligatorily celebrate the "defeat" of Marxism-Leninism as though the words of Marx and Lenin no longer exist; they eagerly listen to Gorbachev out on the hustings of the lecture circuit as though he has some sort of special insight as to why people would be so foolish as to hesitate to give themselves over completely and gleefully to the multiple glitzes of the likes of GM and Walmart; and they nervously point to their own past successes as examples of the things which can be done in an atmosphere of "real" freedom.

Could it be, however, that this whistling in the dark constitutes a belated acknowledgement that geo-political reality is quite a bit more complex than imagined in the befuddled musings of a Ronald Reagan, more demanding of our intellectual capacities than can comfortably be abided? And if so, how much longer will the stale politics of vacuous platitudes be able to hold sway in this country? In other words, isn't the weight of the exhaustion of the twentieth century about to visit upon the United States a jolt of self-recognition, and might not that produce opportunities as well as dangers, just like every other place in the world? For surely the idea of "American exceptionalism" cannot go on for ever.

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BOOKS

A Progressive Program for Monetary Reform?

by Robert Pollin

William F. Hixson, *A Matter of Interest: Reexamining Money, Debt, and Real Economic Growth.* Foreword by John H. Hotson. New York: Praeger, 1991. $55.00 hardcover.

"The Casino Society" is the apt term that came to characterize the U.S. economy in the 1980s—the speculation driven free for all symbolized by three of the wealthiest convicted felons in history: Charles Keating of Lincoln Savings and Loan infamy, junk bond kingpin Michael Milken, and arbitrage operator Ivan Boesky.

Boesky captured the spirit of the period with his famous "greed is good" declaration as the 1986 University of California-Berkeley Commencement speaker. Some observers have attempted to explain the 1980s as simply due to an unprecedented and overzealous embrace of Boeskyism. But could one seriously argue that there were significantly fewer greedy people in previous decades? Understanding the casino society of the 1980s rather demands that we search deeply toward an understanding of the contemporary financial system, and in particular that we explore the links between the contradictions in the financial sector and the broader structural problems of contemporary U.S. capitalism.

William F. Hixson's *A Matter of Interest* is a stimulating effort at providing an explanation for the economy's fundamental financial difficulties. It is also a serious attempt at advancing policy ideas for overcoming these problems. Hixson's analysis is notable for his creative use of simple statistical indicators to support his arguments.

Robert Pollin teaches economics at the University of California-Riverside, and is co-editor of the forthcoming *Transforming the U.S. Financial System: An Equitable and Efficient Structure for the 21st Century* (M. E. Sharpe).

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In addition, an especially striking feature of both Hixson's theoretical and policy ideas is the way he has drawn fruitfully upon disparate intellectual influences in developing his line of thought. These influences range from *MR* editors Paul Sweezy and Harry Magdoff to John Maynard Keynes and the leading free-market "monetarist" Milton Friedman. Perhaps Hixson's greatest affinity is with Henry Simons, a University of Chicago economist of the generation preceding Milton Friedman.

According to Hixson, the basic problem with the U.S. economy is that, over the post-Second World War period, it has become increasingly dependent on debt to finance government. For example, Hixson shows that in the mid-1960s about 8 cents of every dollar of total national spending came from borrowed funds. By the mid 1980s, 16 cents of every dollar of spending came from borrowed funds. As Hixson shows, this rise in debt financing also means that interest payments as a share of total spending have increased dramatically. Observing these postwar trends, he writes that

> the only possible conclusion is that from 1947 to 1987 the economy was operated in a way in which there is no hope whatsoever that it can continue to operate for many more decades, and quite possibly for many more years. (p. 177).

What are the forces that have produced this unsustainable trend? Hixson cites two main factors. The first is the Federal Reserve's use of high interest rates as a policy tool for maintaining price stability—that is, its policy of raising interest rates for the purpose of slowing the economy's growth and thereby weakening inflationary pressures. The second factor is the increasing reliance on borrowed funds by the public and private sectors to finance both their long-term investments and their ongoing operating costs.

Hixson argues that the logic underlying each of these developments is seriously in error. In his view, using high interest rates to slow price inflation only produces higher interest payments and higher prices. This follows from the obvious point that higher interest payments must be absorbed by nonfinancial firms as a cost. When these firms' interest burdens rise, in Hixson's view, they will aim to mark up their prices to reflect their additional cost, just as they would want to mark up prices due to an increase in wages. Hence, the Federal Reserve's use of high interest rates as an anti-inflationary tool has the perverse effect of both increasing prices and maintaining interest rates at an excessively high level.

With respect to private debt financing, Hixson draws on the work of Henry Simons to argue that, to the maximum possible

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extent, corporations should be financed through equity rather than debt. Simons argued that debt financing creates a danger of "pervasive, synchronous, and cumulative maladjustments," while also providing excessive revenues to rentier bondholders. Simons thus favored "making a risk-taker and equity investor out of the rentier" and Hixson endorses the idea. Actually, Simons believed that corporations should be fully financed through equity funds. But recognizing the impracticality of this idea under modern circumstances, he proposed drastic simplifications in the types of debt and equity instruments that corporations could issue. As Hixson emphasizes, one crucial result of such a restructuring of corporate financing would be to substantially reduce the ratio of interest payments to national income.

Hixson's most dramatic and fully argued proposals concern government financing. Hixson contends that the federal government should not engage in deficit financing at all. Rather, governments should exercise the power they possess to be the sole creators of new money. In periods of high unemployment when the economy needs stimulus through government spending, the government should therefore finance its spending entirely through money creation rather than borrowing. This way, the return on government projects are essentially infinite: employment and income will increase at no cost, since the government has the power to create money costlessly through its central banking operations. Moreover, the government would be free of debt, and we the taxpayers would no longer be paying fifteen cents on every dollar of our federal taxes to cover interest payments on the debt.

There is an important corollary to this proposal, discussed at length by Hixson. This is that the private banking system should be completely stripped of the power it now has to create money. The way the banks create money is through the system of fractional reserve banking. In this system, banks accept private deposits with the understanding that depositors are able to get their money back when they want it. Therefore such "demand deposits" are as good as money, and in all standard measures, are counted as a portion of the money supply. However, under fractional reserve banking, the banks also have the right to lend out most of the deposit funds they have received. If they receive $10 in deposits, they can, for example, lend out $9 in loans. This increases the money supply from $10 to $19, since the loans can be spent by borrowers just like cash or a check of a depositor. The beneficiaries of this money growth are the banks, who receive interest on the loans they made.

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Note that this whole system is premised on the idea that the original depositor is unlikely to come back to the bank and demand her $10, even though she has the right to do so. If a high proportion of depositors did, at the same time, decide they wanted to convert their deposits to cash, the bank would simply be unable to accommodate this demand, and financial panic would ensue. The Federal Deposit Insurance Corporation—deposit insurance that is government guaranteed and thus underwritten by taxpayers—was created in the 1930s precisely to avoid such panics, and thus maintain the viability of a fractional reserve system.

Under Hixson's proposal, banks would be obligated to maintain 100 percent of the deposits they receive in their vaults. In other words, they would no longer be lending institutions, and as such, they would no longer have the power to create money through privately profitable activity. This would also eliminate the need for taxpayer supported deposit insurance.

Lending institutions in Hixson's scenario—providing credit primarily for mortgages and small businesses–would make loans with the deposits they accept. But a substantial waiting period would then be required before depositors could withdraw their funds from these institutions. This would make deposits from these institutions essentially illiquid: they could not serve as a source of money or "near money" alternative to that supplied by the government.

Overall then, Hixson's proposals aim to promote far less reliance on debt, fewer opportunities for speculation, and, most broadly, drastic simplification of the U.S. financial system. These are obviously desirable ends. The question is whether Hixson's proposals are a viable vehicle for achieving them.

At the level of theory, Hixson has overstated his case on some crucial points. One example concerns his claim that a Federal Reserve policy of raising interest rates is actually inflationary, rather than deflationary, as standard theory would hold. In fact, either case is possible, depending on whether interest rates are pushed up high enough to stifle borrowing and spending. Certainly, during former Federal Reserve Chair Paul Volcker's famous "monetarist experiment" of 1979-1982, raising short-term interest rates to nearly 20 percent did manage—albeit at tremendous human costs in both the U.S. and in particular the Third World—to wring inflationary pressures out of the economy, just as he intended.

At the level of policy, an immediate question about his approach is whether, in the contemporary highly innovative and flexible global financial market, it is realistic to assume the U.S.

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government, or any government, could successfully thwart the creation of highly liquid deposit funds—i.e. substitute forms of money or near money—generated by the private financial system. A central goal of financial innovators over the past thirty years has been precisely to create assets for depositors that are at once highly liquid but that also provide their holders with positive rates of return.

A formidable act of political mobilization would be needed, in other words, to return to a financial environment that is not driven by innovation and circumvention of government regulations. And even assuming that such a political mobilization were attainable, we would then have to question whether its efforts should be concentrated, as a first priority, on a Hixson-like agenda of reform.

One basic problem with his approach is something that monetarists would pounce on, and here with some reason. There is a real danger of excessive inflation ('too much money chasing too few goods') if government relies exclusively on creating money to finance its projects beyond a level supported by its tax base. The first way to prevent excessive inflationary pressures is the monetarist alternative, which is to strictly limit the growth of money. This obviously would inhibit government spending, which is exactly what monetarists favor. The other, more difficult, but also more politically progressive option would be to ensure that the government projects funded by the newly created money are bringing productive assets onstream at a rate equivalent to that of money growth (goods and money growing together). In other words, a crucial component—even more central than the financing mechanism itself—of a progressive financial agenda would be to create an effective system of credit allocation for channeling funds into projects that promote productive activity and sustainable development.

Once the issue is posed in this way, we are then forced to consider what would be the best institutional forms for promoting a more rational allocation of credit. Who should be in control of the central bank? How might we change the allocation of pension funds—which now supply more than half the total funds to the U.S. capital market—so that this money is used to promote the overall well-being of workers, not merely the highest short-term rates of return for the funds? In my view, progressives need to resolve such questions first before taking on a financing mechanism that could, in the absence of a rational credit allocation plan, degenerate into a monetarist tight money regime or a similarly unsatisfactory condition of unproductive spending and excessive inflation.

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Given the ongoing irrationality of our financial system, a program of progressive restructuring could become politically feasible in the foreseeable future. Regardless of how one responds to the details of Hixson's proposals, *A Matter of Interest* is a serious attempt to grapple with the issues before us. As such, it should become a useful resource in building both the economic understanding and political will necessary for constructing a more equitable and viable financial system.

(Continued from the inside back cover)

as though a conspiracy of silence exists on what pretty clearly constitutes the central contradiction of the contemporary global economy: how can capital be doing so well and capitalism so badly? We would like nothing better than a good debate on the subject.

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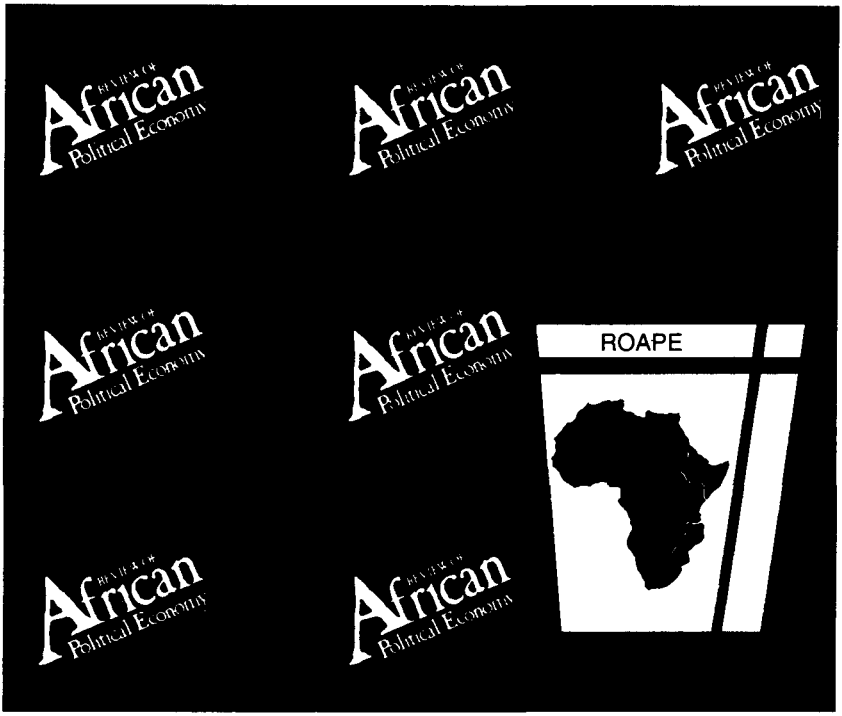

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(Continued from inside front cover)

In search of an explanation of these seemingly contradictory happenings, you might first turn to one of the available textbooks from which our youth learn their economics. But you would be disappointed, for there you would be instructed that the function of finance is to serve production—facilitate payments, raise capital to found new enterprises or expand existing ones, etc. Production is primary, finance secondary. The two are as closely intertwined as Siamese twins: they prosper together in good times and suffer in bad. The very idea of an explosion of finance along with sagging production is nowhere hinted at, let alone explained.

Textbooks, you may reason, are bound to lag behind reality. They are not the place to look for the explanation of the most recent developments. For that it would be better to consult the work of the experts—economists at the top universities, star reporters, and analysts covering the economy for the business press—who labor on the frontiers of knowledge in this vitally important area of economic understanding. But, alas, here too the search for an explanation of the coincidence of flourishing finance and stagnating production would be in vain. These two sets of phenomena are of course well known, and there is no shortage of literature on either of them. But what is in short supply is any analysis of their coexistence, still less of their possible functional interdependence.

Some years ago when Casey Stengel was manager of a new ball club and the players were floundering around doing everything wrong, he is reported to have complained, "Isn't there any one around here who knows how to play this game?" In a similar vein, an observer of the present economic scene might cry out, "Isn't there any one around here who understands how this capitalist system works?" And the honest answer would have to be that there isn't, at least not if you confine your attention to the accredited keepers and purveyors of economic wisdom.

Is the search for an explanation therefore hopeless? Well, not quite. More then ten years ago (May 1983) we ran a "Review of the Month" in *MR* entitled "Production and Finance." It showed, using a variety of statistical measures, that throughout the long post-Second World War upswing, the financial sector of the economy had grown dramatically both absolutely and relative to the productive sector. Four years later (1987) this essay was included in a collection of Reviews of the Month (*Stagnation and Financial Explosion*, MR Press, 1987) which on the one hand embedded the argument in a theoretical analysis of the way the advanced capitalist economy works (stagnation in production and hyperactivity in finance) and on the other hand continued to track empirically the divergent trends in the two sectors that had been the subject matter of the 1983 essay. In the years since 1987 we have continued along the same lines with special emphasis domestically on the dynamics of the recession of the late 1980s and early 1990s, and internationally on the global spread of divergent trends in production and finance. (We are now considering whether the time is ripe to collect and consolidate the essays of the last six years into a new volume bringing the story of late capitalist development up to date.)

Does this mean that we think we have solved the puzzle of the contradictory two-sector capitalist economy? Well, yes, in a way. But we don't want to be dogmatic about it. Important aspects of the problem remain untheorized, and there may be other fruitful approaches to a solution. The trouble is that no one else seems to be interested. It is almost

(Continued on page 63)

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The Impoverished Spirit in Contemporary Japan
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